House Republican Press Release

May 10, 2005
Press Office: 860-240-8700

Democrat Tax and Spending Plans: Making Connecticut Irrelevant

Is Connecticut on the verge of becoming irrelevant to the national economy?

The budget and tax packages drafted by the General Assembly's majority Democrats contain most of the elements that could make it so.

They would substantially increase corporate, income and estate taxes, making Connecticut less attractive to business and to upper income taxpayers, who already account for the largest share of the income tax revenues collected by the state.

Greenwich and other Fairfield County communities, which are home to hundreds of corporations large and small as well as thousands of affluent families, would be hit hardest by these exorbitant and discriminatory tax increases.

In addition, the Democrats are pushing several measures that could help convince businesses that may have been considering expanding or relocating in Connecticut to look instead to more business friendly low-tax states in the south and southwest.

Most of the Democrats' spending hikes earmarked for aid to municipalities would likely go to cities like Hartford, New Haven and Bridgeport. Their budget also substantially expands health and human services programs.

While many of the Democrats' goals are laudable, they also have an unquenchable thirst for taxpayer dollars. Once again, the state's large urban centers will be the primary beneficiaries - at the expense of suburban communities and Fairfield County towns, which receive back in state grants only a fraction of the taxes they send to Hartford.

The Democrats' budget proposal would increase state spending by 9.4 percent - $1 billion more than what Governor M. Jodi Rell proposed in her budget – and in the face of a projected $1 billion deficit in the next biennium.

The Democrats would substantially increase corporate, income and estate taxes to raise $1 billion in taxes over the next two years - even though the projected surplus for the fiscal year ending June 30, 2005 is expected to total $700 million. Elsewhere in the

United States, as the economy has improved, many states are cutting taxes, not increasing them.

Even with the massive tax increases the Democrats have proposed, their budget would fall $50 million short during the 2006-2007 fiscal year. Worse yet, their budget would break the state's Constitutional Spending Cap. Some of the General Assembly's Democrat leaders have described the cap as a 'guide' - even though 81% of Connecticut's voters put the cap in place in 1991 to prevent the legislature from approving runaway spending.

The increases in personal income (up to 6.75% at the high end) and estate tax rates (16.5% on very large estates) are directed at about 20,000 affluent Connecticut residents (out of approximately 1.4 million people who pay state taxes).

What the proponents of this budget do not understand - or refuse to realize - is that these folks are fully capable of voting with their feet. As the marginal rate in Connecticut moves closer to New York State's (top rate of 7.7 %), Wall Street professionals will choose to remain in New York rather than move to Connecticut. Retirees will move to tax-friendly states such as Florida or Nevada.

In addition to corporate tax increases, the Democrats have proposed other expensive mandates on business that could undo in one year the favorable business climate it took ten years to create, including:

- An increase in the minimum wage that will make Connecticut's the highest in the country.
- A bill (S. B. 1147) requiring non-union companies with more than 5,000 employees to provide health coverage for their employees.
- A reduction in the depreciation allowance for manufacturing equipment.

Business executives will think twice about relocating to Connecticut if they worry that taxes, depreciation schedules, enterprise zones and health plans will be reconsidered by the state legislature every year.

That will mean fewer jobs, which will further depopulate Connecticut.

The Democrats' budget and tax proposals have the potential to make our worst economic nightmares a grim reality.